

# **CONTAGION BETWEEN FOREIGN EXCHANGE AND GOVERNMENT DEBT CRISES IN EMERGING MARKETS**

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## **Abstract**

*This paper studies the contagion between government debt crises and foreign exchange crises in emerging markets. In particular, it analyses the causality between these two crises. In order to do so, we compute indices that reflect crisis situations in the foreign exchange markets and in the domestic bond markets. We then study the Granger-causality between these two series. We find that contagion of crisis between the foreign exchange market and the bond market is bi-directional.*